

AIG GROUP AND AIG BANK IN POLAND – SHORT OVERVIEW



November, 2008

Intelace Research

AGENDA

- **AIG Group in Poland**
- **AIG Bank**
- **AIG Bank valuation**

AIG HAS MULTIPLE BUSINESSES IN POLAND WORTH IN TOTAL ~ 6 BILLION PLN (US\$ 2 BN)



AIG Group – Key subsidiaries

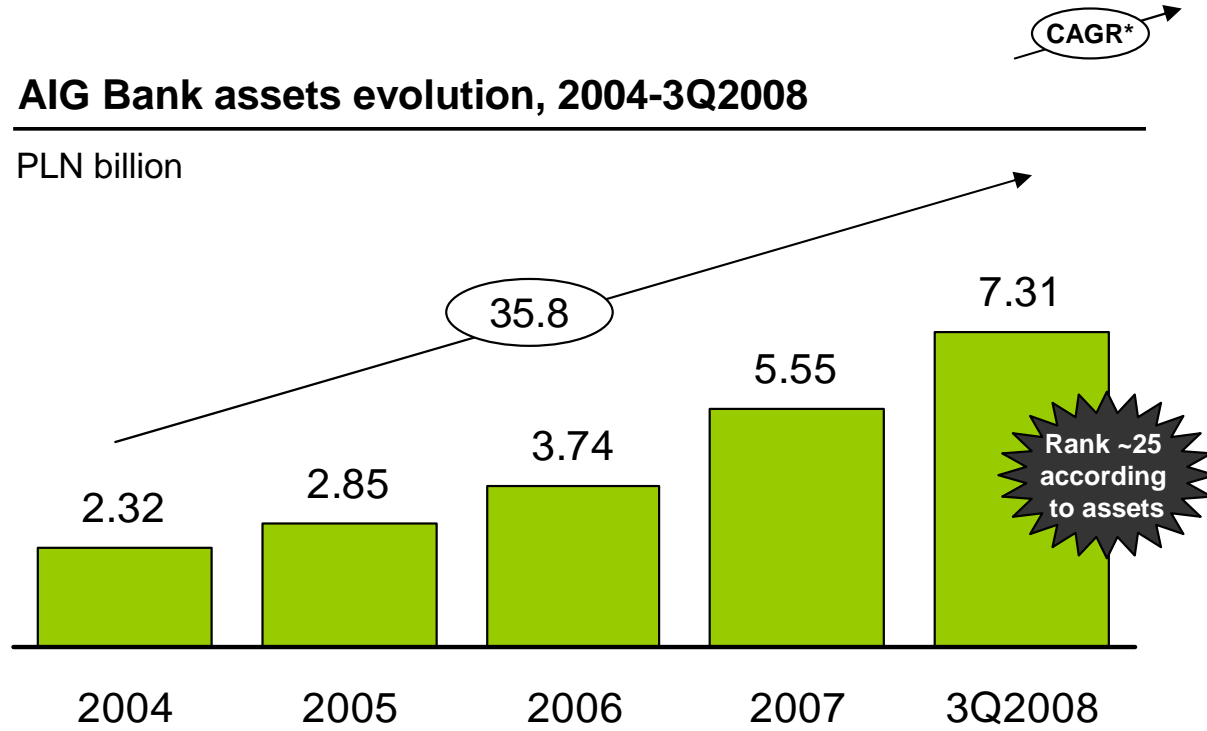
Sector	Subsidiary	Business size (3Q08) in PLN	Valuation (Oct. 08)
Retail Banking Consumer credit	AIG Bank Polska S.A. (also AIG Credit S.A.)	<ul style="list-style-type: none"> • Assets: 7.31bn • Equity: 811m • Revenue: 700m • Net profit: 219m 	1.5-2.2 bn PLN
Pension	AIG PTE S.A.	<ul style="list-style-type: none"> • AuM: 11.41 bn • Revenue: 73.4m (1H 08) • Net profit: 26.3m (1H 08) 	0.8-1.1 bn PLN
Life insurance	Amplico Life S.A.	<ul style="list-style-type: none"> • GWP: 1.26 bn • Revenue: 764m • Net profit: 250m 	2.5-3.5 bn PLN
Non-life insurance	AIG Europe S.A. Oddział w Polsce	<ul style="list-style-type: none"> • GWP: PLN 145m 	0.1-0.2 bn PLN
Investment Funds	AIG TFI S.A.	<ul style="list-style-type: none"> • AuM: 1.72 bn • Net profit: 31m (2007) 	0.1-0.2 bn PLN
Other	Transatlantic Polska Sp. z o.o. AIG-CET Capital Management AIG/Lincoln Polska Sp. z o.o. etc.	• n/a	• n/a
			Total: PLN 5.0-7.0 bn

AIG GROUP IN POLAND

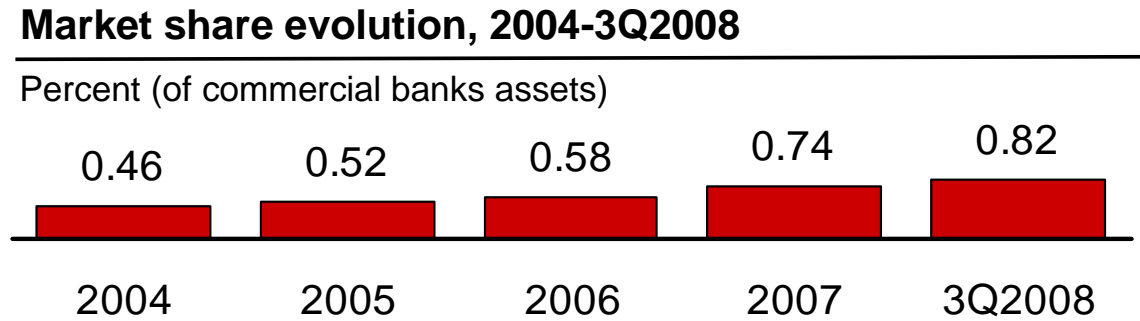
AGENDA

- **AIG Group in Poland**
- **AIG Bank**
- **AIG Bank valuation**

AIG BANK HAS BEEN GROWING FASTER THAN THE OVERALL BANKING MARKET



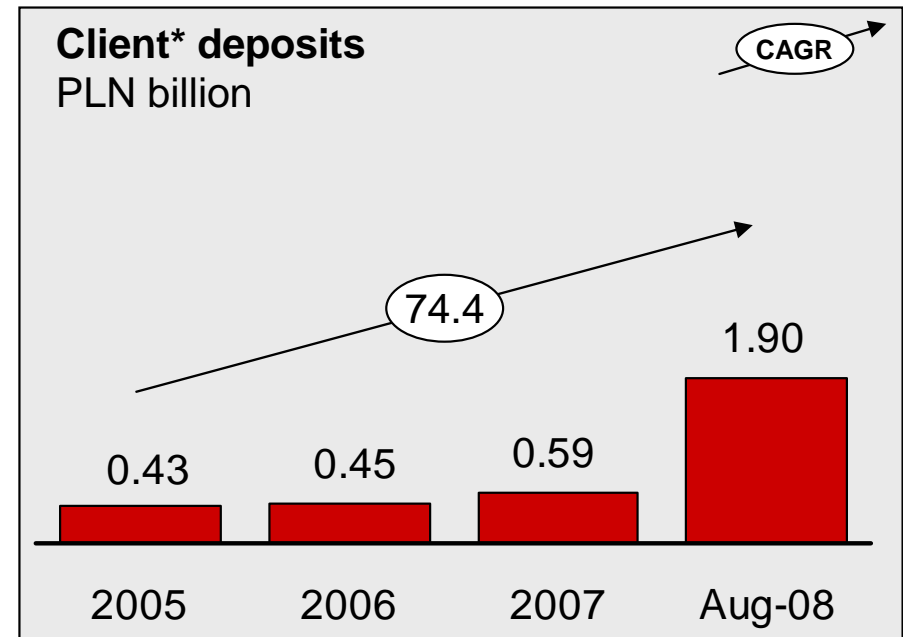
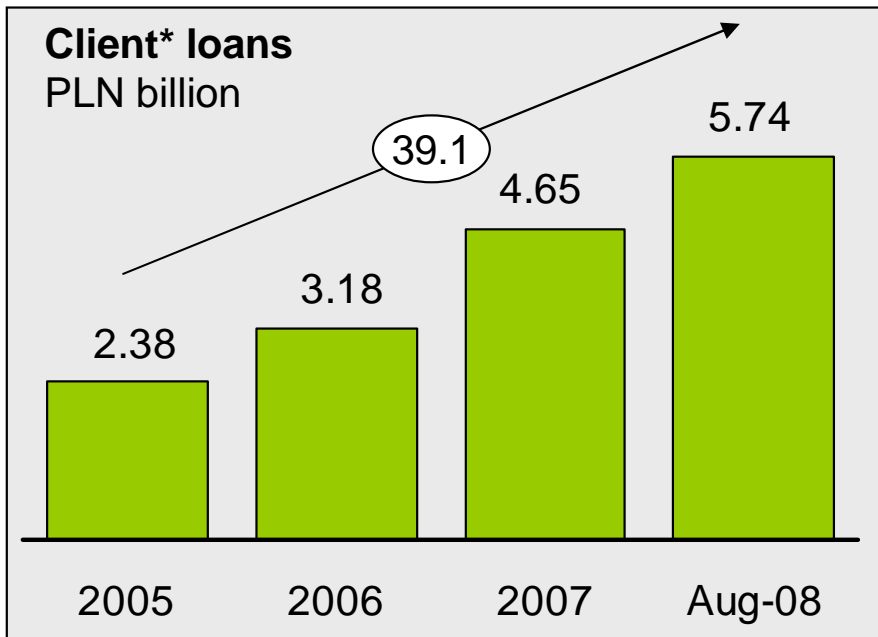
- In the years 2004-2008 AIG bank has been growing quickly
- In absolute terms bank is still a minor player with rank ~25 in Poland (according to 3Q 2008 assets) and has a very low market share: 0.82%



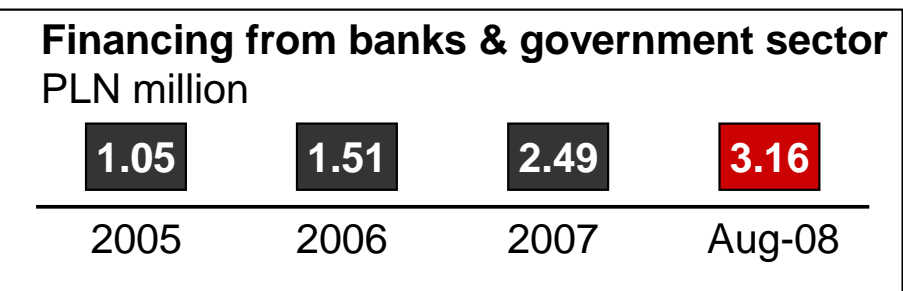
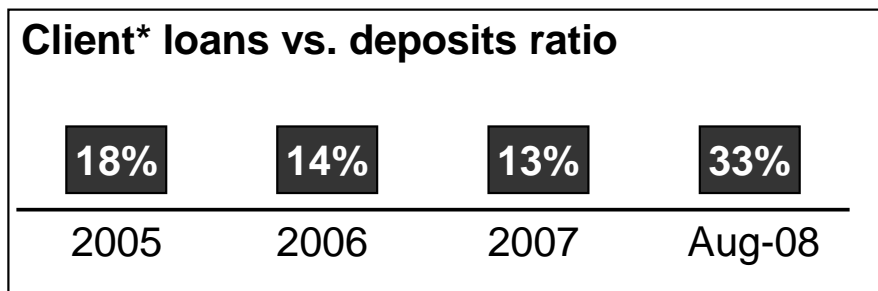
AIG GROUP IN POLAND

* Compound Annual Growth Rate
Source: AIG , Rzeczpospolita, Intelace Research

SO FAR BANK HAS FINANCED ITS LENDING MOSTLY ON THE INTERBANK MARKET



AIG GROUP IN POLAND



AIG bank has been reliant on external financing, but the freeze of inter-bank market forced it to quickly build-up own deposits base

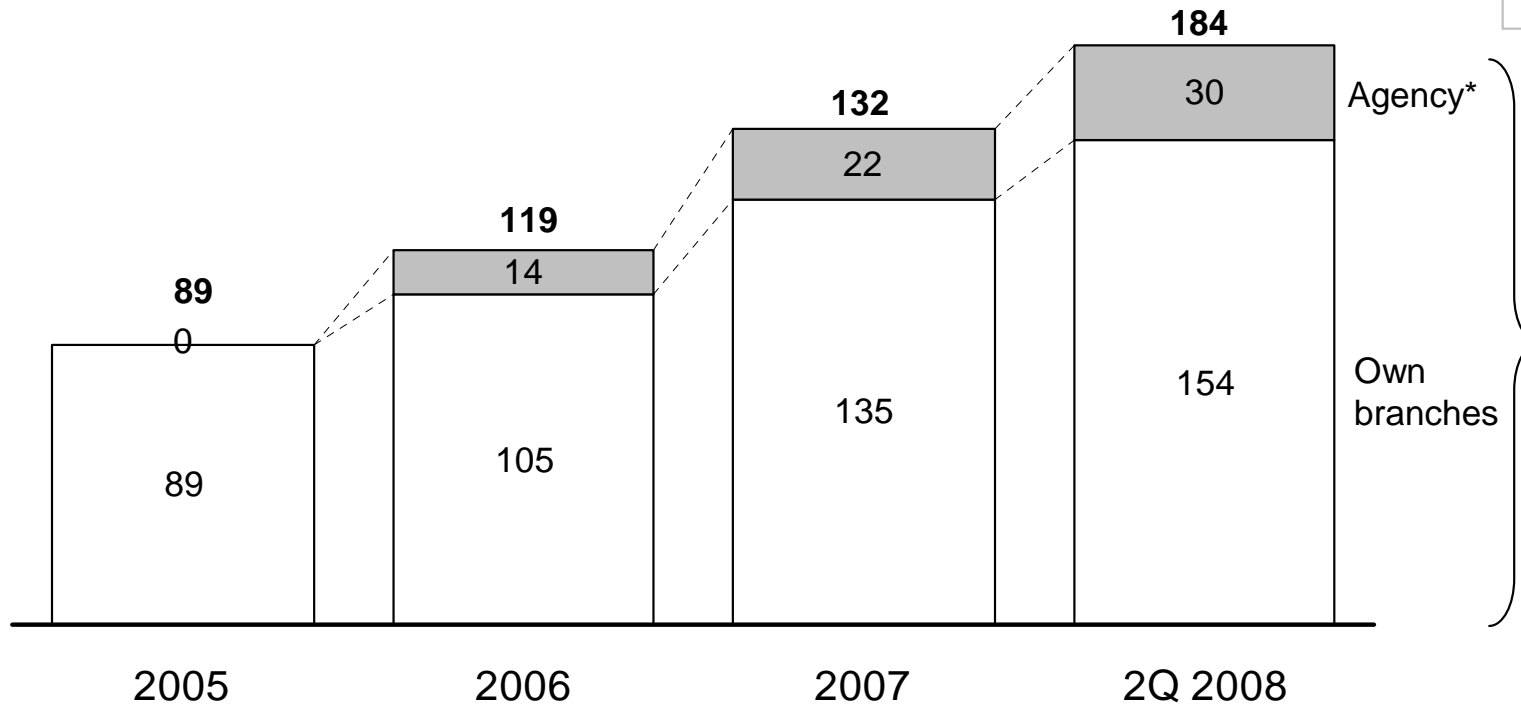
* Individuals + corporate customers (excluding public sector & banks)

Source: AIG, Rzeczpospolita, Intelace Research

DISTRIBUTION NETWORK HAS BEEN GROWING RAPIDLY



Distribution network, 2005-2Q2008
Outlets by type



Current strategy assumes further quick development of external distribution network (franchising)

AIG GROUP IN POLAND

**+
~10,000 retail outlets (stores) offering consumer finance products of AIG bank**

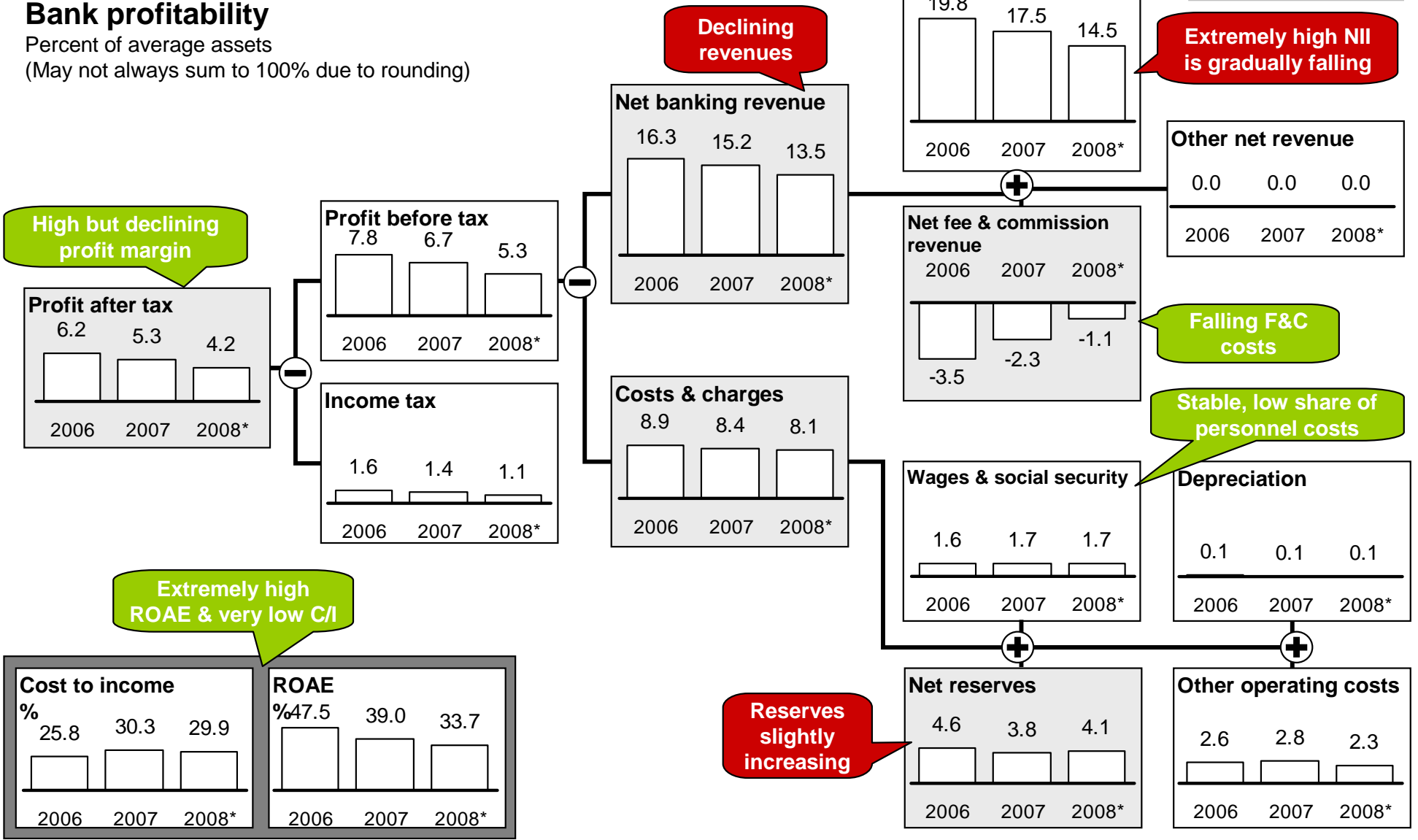
* Based on franchising principle
Source: AIG , Rzeczpospolita, Intelace Research

AIG BANK HAS BEEN EXTREMELY PROFITABLE IN THE PAST



Bank profitability

Percent of average assets
(May not always sum to 100% due to rounding)








AIG GROUP IN POLAND

* Annualized data for: Jan.-Aug. 2008
Source: AIG , Intelace Research

AGENDA

- **AIG Group in Poland**
- **AIG Bank**
- **AIG Bank valuation**

PAST M&A TRANSACTIONS SHOW A MIXED PICTURE IN TERMS OF BANKS VALUATION ON THE POLISH MARKET

<u>Date</u>	<u>Buyer</u>	<u>Target</u>	<u>Price paid* (for 100%)</u>	<u>Market share acquired**</u>	<u>Description</u>
2005	Société Générale	Eurobank 	169m EUR (P/BV~7)	~0.3%	<ul style="list-style-type: none"> At the moment of transaction it had 110 outlets countrywide and served ~240,000 retail clients in major cities
2005	Getin Holding	Wschodni Bank Cukrownictwa 	54m EUR (P/BV~2)	~0.2%	<ul style="list-style-type: none"> WBC was a small regional bank operating in the south-eastern part of the country
2006	Fortis Bank	AIG Bank 	170mEUR (P/BV~7)	~0.2%	<ul style="list-style-type: none"> AIG was a small retail bank with well developed branch network including a second hand car dealers. At the time of transaction AIG served ~350,000 clients
2006	DnB	BISE Bank 	140m EUR (P/BV~3)	~0.4%	<ul style="list-style-type: none"> BISE was a small bank in serving SMEs, municipalities, NGOs and cooperatives At the time of transaction it had ~35 branches and ~45000 clients
2007	GE Bank	BPH200 	948m EUR (P/BV~2)	~1.3%	<ul style="list-style-type: none"> After the spin-off, Bank BPH remained with ~620,000 individual clients and 66,000 micro-enterprises (self-employed) Bank had 200 outlets and 206 own ATMs countrywide

* Implied price (valuation) of 100% stake

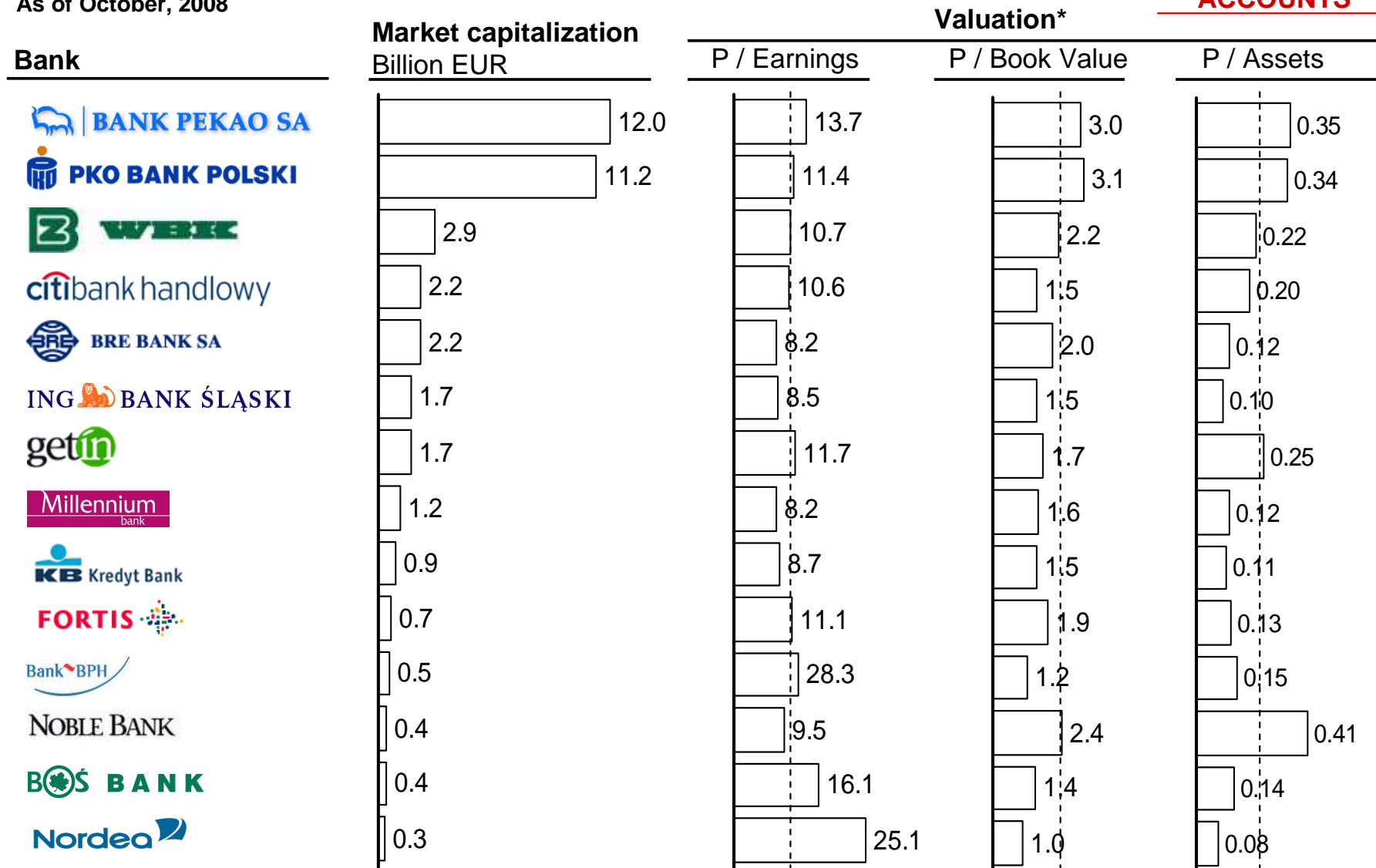
** Market share in terms of assets

Source: Banks, press, Intelace Research

CURRENT VALUATIONS OF LISTED BANKS ARE SIGNIFICANTLY LOWER THAN ONLY HALF A YEAR AGO

As of October, 2008

**CONSOLIDATED
ACCOUNTS**



AIG GROUP IN POLAND

Weighted average,
10/08 vs. 3/08

11.3 (16.3)

2.34 (3.00)

0.23 (0.31)

11

* Based on consolidated results: Q3/07-Q2/08
Source: WSE, Banks, Intelace Research

AIG BANK IS CURRENTLY WORTH PLN 1.5-2.2 BILLION (EUR 0.4-0.6 BN)



AIG Bank - Financials, 2007-3Q2008

million PLN

Valuation multiples**

AIG Bank - Valuation million PLN

Most appropriate methods in this case

<p>Total Assets</p> <p>5,554 7,311</p> <p>2007 3Q2008</p>	<p>0.12 – 0.16</p>	<p>880 - 1170</p>
<p>Equity *</p> <p>762 952</p> <p>2007 Aug-08</p>	<p>1.5 – 2.0</p>	<p>1440 - 1900</p>
<p>Net Profit</p> <p>247 219</p> <p>2007 1-3Q 08</p>	<p>8-10</p>	<p>2160-2700***</p>

AIG GROUP IN POLAND

*** Based on assumed FY2008 net profit of PLN 270m

** Market multiples for top listed banks as of October 2008

* Excluding subordinated debt, including non-distributed net profit

Source: Rzeczpospolita, AIG Bank, Intelace Research

AIG BANK IS A VERY ATTRACTIVE PLAYER ON CONSUMER FINANCE MARKET



AIG BANK: SWOT Analysis

Strengths

- Relatively strong brand and large client database
- High specialization on few products (consumer finance including cards + term deposits)
- Extremely high margins
- Well developed distribution network including: own bank outlets, franchising partners and presence at POS /retailers/

Opportunities

- Still good perspectives for consumer finance sector create further growth opportunity
- Balancing asset / liabilities structure with more client deposits would immunize bank to the situation on inter-bank market
- Successful further conversion of installment loan clients to credit cards could radically improve strength of client relationship and prevent churn

Weaknesses

- Low level of client deposits in relation to client loans, high dependence on bank loans /inter-bank market/
- Reputation suffering from AIG problems on home market (in the US), negatively affecting ability to quickly collect new deposits
- Limited product offer

Threats

- Longer uncertainty about bank's future could negatively affect ability to maintain business growth and to retain key employees
- Expanding networks of other banks (db kredyt, Lukas etc.) will increase competition
- Very high margins may not be sustainable in the future
- Level of NPLs may increase quickly, should the unemployment rate grow



About this report

This report has been prepared using Intelace Research proprietary research and publicly available sources including: financial reports, press publications, industry magazines, directories, financial databases and expert opinions.

Views presented in this report reflect solely independent and unbiased opinion of Intelace Research and authors.

All due care has been taken in the production of this report. However, Intelace Research does not accept any responsibility or liability for any omissions or inaccuracies of the information contained in this publication.

This report is copyrighted. Any distribution, storage, replication and usage is restricted to Intelace Research clients only. In case of any doubt please contact us at: info@intelace.com

About Intelace Research

Intelace Research is an independent and privately owned research firm based in the heart of Eastern Europe in Warsaw / Poland.

Our company is specializing in value-added research services and tailored business intelligence solutions.

Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

The lead researcher and founder of Intelace Research is Marcin Mazurek.

Our contact details:

Intelace Research
Stryjenskich 13c/78,
02-791 Warszawa, Poland

Tel. +48 22 408 66 20,

Tel. +48 502 512 178

Fax. +48 22 349 21 40

mail: info@intelace.com url: www.intelace.com